

To: Mayor and City Council
Heid Nelson, City Administrator

From: Greg Sticha, Finance Director

Date: October 16, 2023

Subject: Review of 2024-2028 CIP

Last year staff and City Council reviewed the first ever capital improvement plan (CIP) document for the City of Maple Grove. The goal of the document is to provide long term financial planning and better transparency for the city and its stakeholders. The document is broken down into three different sections. As you read further into the document the more detail you will find about each of the many specific capital projects.

The first section is a big picture cash projection analysis of some of the city's key capital funds. This data is key in making long term capital financing planning decisions. There are many assumptions that are a part of producing the projections including: estimated future costs, interest rate environments, and timing of projects. These projections and the timing of all of the projects and equipment are intended to be a guide and will be fluid over time. Some projects will be moved up and others will be moved back after staff reviews with the council and other city officials. I will be reviewing each of these cash projections with the council this evening in some detail.

The second section of the document totals all the projects by funding source. The intent of this section is to total all of the like projects within a funding source. This data then flows into various cash flow projection sheets noted in section one. I will answer any questions the council has about a specific funding source but will not go into many details about this section of the document unless prompted.

The last section is a detailed list of all capital projects. These sheets give the reader a more in depth understanding of each project that includes information like operational impacts, where the project will be happening and why the need for the project. I will obviously not be reviewing all of these sheets in detail with the council but will highlight a couple of important projects. I would be happy to answer any additional questions the council has about individual sheets.

Important individual projects to discuss:

- Local road reconstruction funding
- Rice Lake Trail funding
- Weaver Lake Park funding
- Funding strategies for increasing costs of large equipment
- Review of facilities study and funding projections (November 6 discussion)

Road reconstruction funding

As part of the 2024 levy setting process it was decided to not include an increase for the road reconstruction levy. The projected cash balance analysis sheet for the road reconstruction fund contains several assumptions including; cost of projects in outer years and of course any changes to the road reconstruction levy which is used to pay for the city's share of road reconstruction projects. Staff reviews each of the assumptions annually and small tweaks are made depending on the future available cash balances. The previous years projection had the road reconstruction fund dipping below \$15M (the staff recommended minimum reserve) in reserves starting in about 2032. This year's analysis, with the change to the road reconstruction levy, has that minimum reserve threshold now reached in 2029. This cash balance will need to be closely monitored over the next couple of years and increases to that levy may have to be larger than currently projected as part of this analysis.

Rice Lake Trail

The council directed staff to have an engineer's estimate/feasibility study prepared for review in early 2023. We have included that consultant's report and it is attached to Director Stifter's memo, which includes a staff recommendation for replacement. This item is currently in the CIP for 2028 as a placeholder. Staff will be looking for direction on when this project should take place as well as be reviewing the options for funding the project including any possible grant opportunities that might be available to the city.

Weaver Lake Park

Currently there is not an available funding source for the remodel/reconstruction of Weaver Lake Park. In all likelihood there will be multiple funding sources that will help pay for any improvements including possibly a small amount of park dedication funds. As of now the project is included in the CIP for year 2028 but that remains an item up for discussion that staff would like direction on.

Equipment replacement fund

There have been a number of changes over the past couple of years that relates to replacing our equipment. The cost of most equipment has gone up significantly, in particular the cost of replacing large fire apparatus. Chief Bush will be reviewing the fire equipment replacement schedule with the council. Because of the rising costs and lead time on getting fire equipment, staff is making some small adjustments and considering multiple options for funding a number of large fire apparatus in 2029-2031. We will be discussing those impacts and potential plans for those replacements at the meeting this evening.

Staff did increase the internal service charge to each department by 10%-15% for the upcoming budget year to accommodate the increased cost of replacement equipment. That increase along with some small adjustments to scheduled replacements is currently keeping the cash balance in the equipment fund in a relatively stable place. However, it is very likely that there will need to be continued increased internal service charges to most departments especially those that have large pieces of equipment.

Facility studies review/building replacement fund (November 6)

Staff recently received the initial draft of the facility analysis completed by Ameresco. We will now begin taking that data and projecting future costs into our cash analysis for the CIP document. This process will take some time as there is an abundance of data and it needs to be reviewed and prioritized. The year by year projection of spending on our buildings will not be ready before approving the final CIP yet this year. However, included in the CIP for building improvements are a number of known components that need replacement in the upcoming year.

Staff along with Ameresco will be reviewing the summary data of the Facility Analysis with the council on November 6th in work session. This review will include a big picture analysis of our building's current status and some high-level analysis of targets/goals going forward.

Document practice going forward

Lastly, we would like to discuss the future of this document. Staff plans on updating all of the individual project sheets and cash projections each year and producing a public document that will be available on the city website. In many cities the elected officials will pass the acceptance of a CIP document as part of the annual budget process (approval in December). It is important to note that even if a CIP document is formally approved, all city purchasing policy

requirements would still need to be followed. This includes council approval for those items costing more than \$25,000, and following all bid and quote requirements. Staff would like feedback from the council on how it would like to proceed with the potential of formally adopting the document in future years. There is no requirement for the formal adoption of a CIP plan or document.

Attachment A: Draft copy of City of Maple Grove CIP 2024-2028

Attachment B: Chuck Stifter memo on Rice Lake Trail & consultant study

Attachment C: Chief Bush memo on fire equipment replacement & related attachments